Corbett Keeling
Corporate Finance

Holding up well

Last quarter, we saw some signs of a downturn in the market's mood, which we thought might signal a possible slowing of deal making activity over the rest of the year. However, when assessing the latest quarterly data, Jim Keeling of corporate finance advisor Corbett Keeling finds that activity remained remarkably solid.

The market for private company transactions shrugged off continued political and economic uncertainty and kept doing deals at a steady pace over the last three months. Reassuringly, the buoyancy was broad-based, with solid volumes across the board. However, as in the second quarter, the early stage/ expansion deals segment of the market led the way, with a particularly strong three months.

As ever, the key question is: can it continue? We have seen some press reports recently of a drop in deal making. But our experience is that the market seems as busy as ever, and we see several reasons why.

First, private equity funds have plenty of money to invest in promising businesses.

Secondly, banks have money to lend – and at interest rates which make many deals attractive.

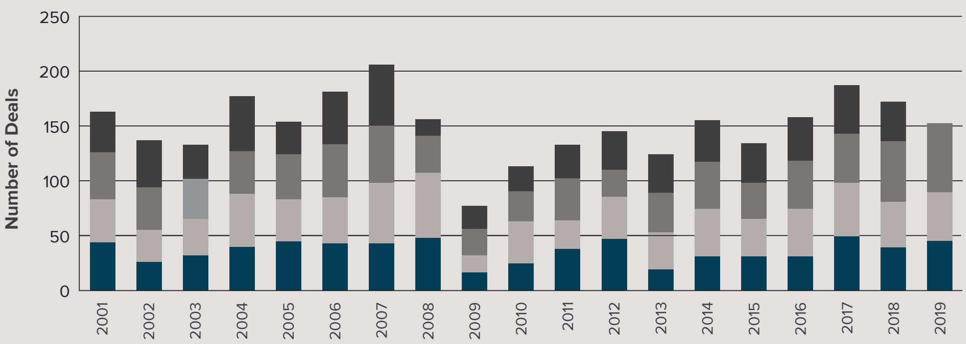
Thirdly, many company owners, faced with political uncertainty and the possibility of a less business-friendly government at some point, are keen to sell while the current Capital Gains Tax regime remains in place.

Lastly, with the pound under persistent pressure from the uncertain political outlook, many overseas buyers continue to look through the short-term fog and pick up strong British businesses at what are for them relatively cheap prices.

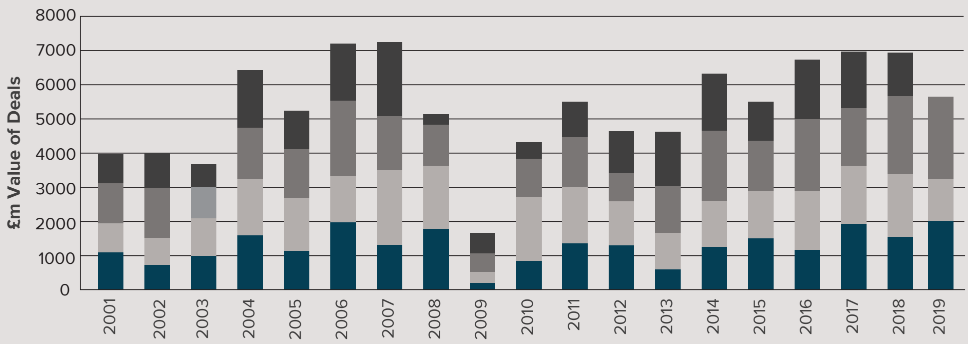
Assessing the deal data

Activity in the **smaller buy-outs** sector (transactions with enterprise value of less than £150 million) rebounded over the last three months. The volume of deals rose from 36 to 51, the second highest quarterly figure since the global financial crisis. The value of deals also increased, from £1.2 billion to £2.3 billion, taking the total for the year so far to just under last year's record number.

Sub-£150m Buyouts by Volume



Sub-£150m Buyouts by Value



Key:

Q4

Q3

Q2

Q1

The **larger buy-outs** sector (enterprise value of £150 million or above) stayed remarkably strong and stable. Ten deals were completed, the same total as the previous quarter, while their value rose from £5.1 billion to £8.6 billion, the fifth highest quarterly figure of the past two decades. That said, both the volume and the value of deals for the first nine months of this year are well down on the same period of the bumper 2017.

Key:

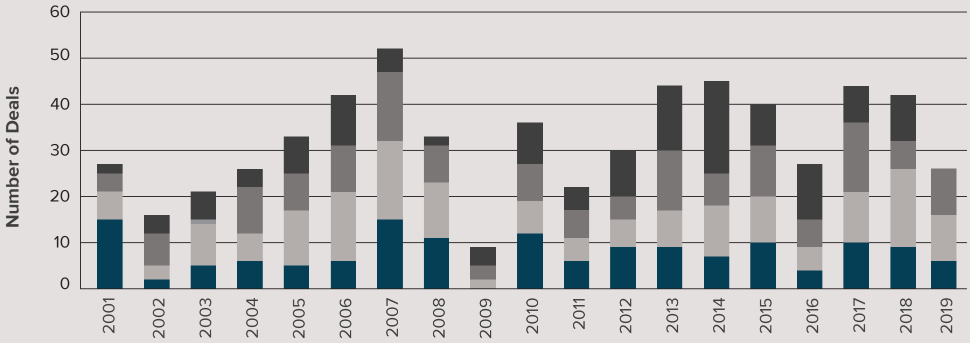
Q4

Q3

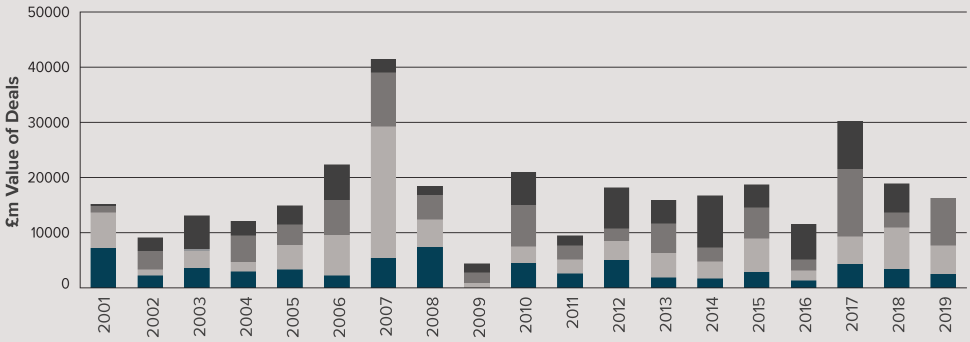
Q2

Q1

£150m+ Buyouts by Volume



£150m+ Buyouts by Value



Early stage and expansion capital deals were also little changed from the previous quarter. The number of transactions over the quarter remained exactly the same, at 119, while the value of deals dipped a little from £2.9 billion to £2.6 billion, still a strong figure. In fact, the total value for the year so far is easily the highest since the data series began in 2000.

Key:

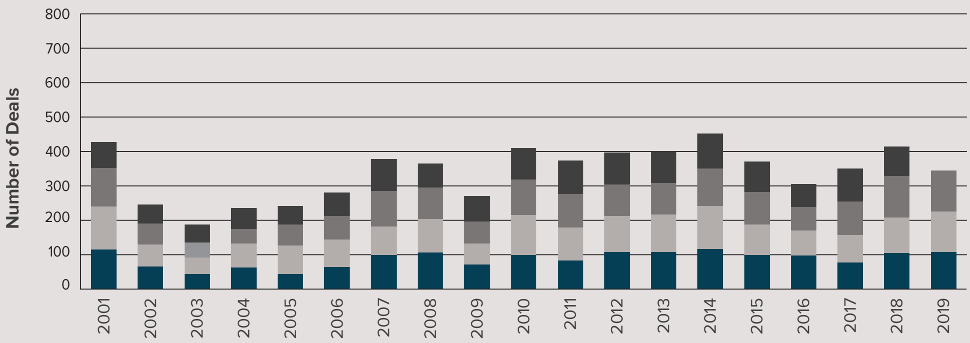
Q4

Q3

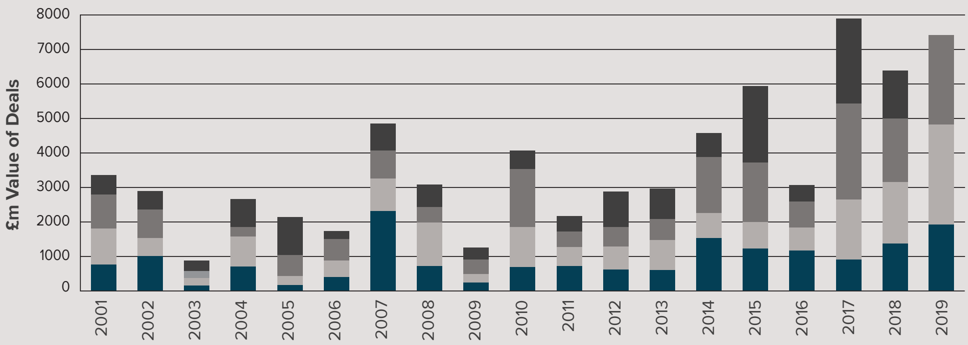
Q2

Q1

Volume of Early Stage/Expansion Deals



Value of Early Stage/Expansion Deals



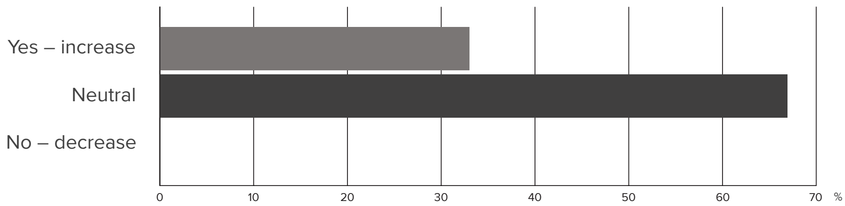
Corbett Keeling
Corporate Finance

So what does our latest survey suggest?

Clearly, the data from the last three months reflect continued strength, and we have discussed some reasons why that may be. But does our survey of market participants suggest that the next quarter will remain as strong? We are pleased to report that their responses indicate a more sanguine mood, with slightly fewer positive responses but far fewer negative ones than last quarter.

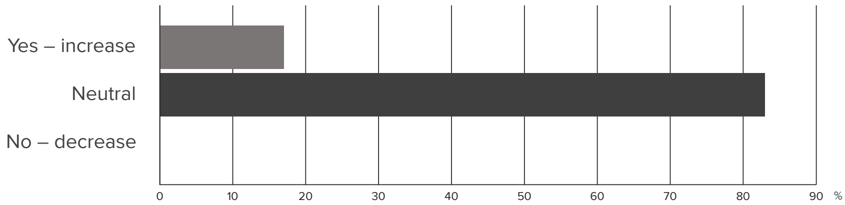
1 Do you expect deal volumes <£100m to increase or decrease?

For the smaller value segment of the market, the percentage of respondents predicting a rise in volumes over the next six months has dipped slightly to 33%. But the proportion expecting lower levels of activity has plunged from 38% to zero.



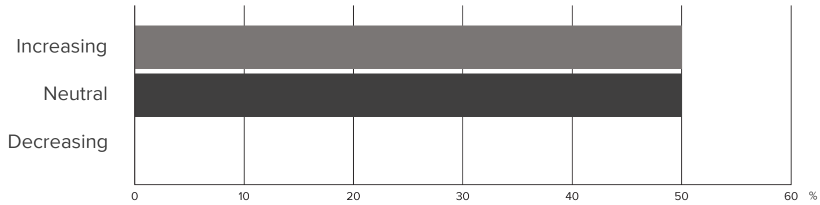
2 Do you expect deal volumes >£100m to increase or decrease?

It's a similar story for the larger value segment. While the percentage forecasting an increase has also dipped from 25% to 17%, the number predicting lower activity has again fallen to zero.



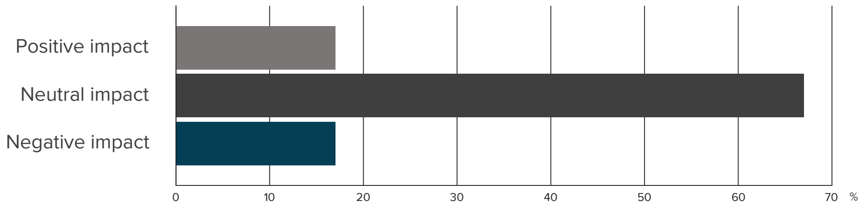
3 Is debt availability increasing, decreasing or neutral?

Those saying that debt availability is increasing has risen significantly to 50%. And the remainder are neutral on the topic, whereas 13% had been negative at the time of last quarter's survey.



4 Has uncertainty over the Brexit negotiations affected investment decisions?

Perhaps surprisingly, respondents also appear less pessimistic when asked about the impact of the Brexit negotiations on investment decisions. While the number reporting some positive impact from Brexit is little changed, the percentage observing a negative effect has plummeted from 63% last quarter to 17%, with the remainder – some two thirds – seeing no impact either way.



Contact us

Jim.Keeling@corbettkeeling.com